

Message Text

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ACTION NEA-10

INFO OCT-01 AF-10 EUR-12 ISO-00 CIAE-00 DODE-00 PM-05
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R 011538Z MAR 78
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TO SECSTATE WASHDC 180
INFO AMEMBASSY ABU DHABI
AMEMBASSY ALGIERS
AMEMBASSY AMMAN
USINT BAGHDAD
AMEMBASSY BEIRUT
AMEMBASSY BRUSSELS
AMEMBASSY CAIRO
AMCONSUL CASABLANCA
AMEMBASSY DAMASCUS
AMEMBASSY DOHA
AMEMBASSY JIDDA
AMEMBASSY KUWAIT
AMEMBASSY KHARTOUM
AMEMBASSY LONDON
AMEMBASSY MUSCAT
AMEMBASSY NAOUKCHOTT
AMEMBASSY PARIS
AMEMBASSY RABAT
AMEMBASSY ROME
AMEMBASSY SANA
AMEMBASSY TRIPOLI

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CASABLANCA FOR RFA

E.O. 11652: NA
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TAGS: XF, ECIN, EFIN, TS
SUBJECT: ARAB LEAGUE ECONOMIC COUNCIL MEETING IN TUNIS,
FEBRUARY 20-22

REF: CAIRO 4572

1. SUMMARY. CRITICISM OF EXCESSIVE ARAB INVESTMENTS

OUTSIDE ARAB WORLD AND CALL TO CHANNEL CAPITAL TO POORER ARAB NATIONS WERE AMONG MAJOR THEMES OF 24TH SESSION OF ARAB LEAGUE ECONOMIC COUNCIL IN TUNIS FEBRUARY 20-22. DISCUSSION REFLECTED CONTINUING DESIRE OF NON-AFFLUENT TO USE ARAB RESOURCES AND MARKETS TO ESCAPE DEVELOPMENT CONSTRAINTS. COUNCIL DISCUSSED VARIOUS PROPOSALS TO MOBILIZE CAPITAL AND FACILITATE REGIONAL DEVELOPMENT. IT ALSO HEARD PLEAS FROM SEC GEN RIADH, TUNISIAN PRIME MINISTER, AND OTHERS AND THAT POLITICAL DIFFERENCES BETWEEN ARAB NATIONS NOT BE ALLOWED ALSO TO BECOME ECONOMIC DIFFERENCES. TENOR OF DEBATE REFLECTED LONG WAY STILL TO GO BEFORE COORDINATED REGIONAL DEVELOPMENT BECOMES OPERATIONAL IN ARAB WORLD. END SUMMARY.

2. ECONOMIC COUNCIL OF ARAB LEAGUE MET IN TUNIS FEBRUARY 20-22 AT HILTON HOTEL UNDER TIGHT SECURITY PRECAUTIONS. WITH EXCEPTION OF SOMALIA AND DJIBOUTI, ALL MEMBER-COUNTRIES OF LEAGUE TOOK PART. AMONG THOSE PRESENT WERE ARAB LEAGUE SECRETARY MAHMOUD RIADH; SAUDI MINISTER OF FINANCE AND ECONOMIC AFFAIRS MOHAMED ABUL-KHELIL; SYRIAN MINISTER OF ECONOMY AND EXTERIOR COMMERCE MOHAMED AL IMADI; LEAGUE DEPUTY GENERAL SECRETARY FOR ECONOMIC AND FINANCIAL AFFAIRS ABDELHASSEN ZALZALA; SUDANESE MINISTER OF ECONOMY AND PRESIDENT OF 23RD SESSION OF COUNCIL, OTHMAN HACHEM ABDESSELEIM; UNCLASSIFIED

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ALGERIAN SECRETARY GENERAL OF FINANCE HABIB HAKIKI; KUWAITI MINISTER OF FINANCES ABDERRAHMANE ATIKI; AND, PLO TREASURER RAFAAT NIMER. TUNISIAN DELEGATION WAS LED BY PRIME MINISTER HEDI NOUIRA AND INCLUDED FINANCE MINISTER ABDELAZIZ MATHERI.

3. OPENING COUNCIL SESSION, PRIME MINISTER NOUIRA APPEARED TO ARAB NATIONS TO OVERCOME POLITICAL DIFFERENCES TO WORK TOGETHER TO ENSURE DIGNIFIED PLACE IN WORLD FOR FUTURE GENERATIONS. NOUIRA SAID ARAB COUNTRIES HAD INHERITED DEFICIENT INFRASTRUCTURES, WHICH TRANSLATED INTO GENERAL STATE OF UNDER-DEVELOPMENT. EFFORTS TOWARDS DEVELOPMENT HAD SO FAR BEEN FRAGMENTED AND THUS DID NOT FACILITATE BALANCED DEVELOPMENT PROGRAMS THROUGHOUT ARAB WORLD.

4. NOUIRA CRITICIZED SITUATION IN WHICH POORER ARAB COUNTRIES MUST "BEG" FOR FOREIGN ASSISTANCE, UNDER INCREASINGLY STRINGENT CONDITIONS, TO FINANCE THEIR ECONOMIC DEVELOPMENT "WHILE ARAB CAPITAL IS FEVERISHLY LOOKING FOR FRUITFUL INVESTMENTS". SOME COUNTRIES HAD SEVERE UNEMPLOYMENT WHILE OTHERS LACKED WORKERS

TO CARRY OUT DEVELOPMENT PROJECTS, HE NOTED. NOUIRA ALSO CRITICIZED ARAB IMPORTS FROM NON-ARAB SOURCES OF GOODS WHICH ARE PRODUCED BY OTHER ARAB COUNTRIES.

HE SAID ARAB COUNTRIES SHOULD COORDINATE PRODUCTION AND INCREASE KNOWLEDGE OF EACH OTHERS' ECONOMIC POTENTIAL. COUNCIL WAS CALLED UPON TO STUDY PLACEMENT OF ARAB CAPITAL IN OTHER ARAB COUNTRIES. THIS CAPITAL HAD OVERTAKEN POSSIBILITIES FOR DOMESTIC INVESTMENT AND WAS GOING ABROAD AS INVESTMENTS OR DEPOSITS IN FOREIGN BANKS. "WE DO NOT BELIEVE THAT EXODUS OF ARAB CAPITAL REVEALS PREFERENCE BY ARAB CAPITALISTS FOR INVESTMENTS OUTSIDE ARAB COUNTRIES, BUT RATHER IS DUE TO DIFFICULTIES THEY ENCOUNTER IN MAKING INVESTMENTS IN ARAB COUNTRIES", NOUIRA SAID.

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5. ONE SOLUTION TO PROBLEM, NOUIRA SUGGESTED, WAS
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INCREASED CONTRIBUTIONS BY ARAB CAPITAL-EXPORTING COUNTRIES TO ARAB NATIONAL AND MULTILATERAL FUNDS, WHICH WOULD THEN BE ABLE TO DEVOTE INCREASED SUMS TO ARAB DEVELOPMENT. HE ALSO CALLED FOR MORE JOINT PROJECTS BETWEEN RICHER AND POOR ARAB COUNTRIES. ANOTHER MAJOR STEP WOULD BE CREATION OF ARAB MONEY MARKET, WHICH WOULD MOBILIZE RESOURCES AND HELP CIRCULATE ARAB CAPITAL. NOUIRA CONCEDED SUCH MARKET COULD NOT BE CREATED OVERNIGHT AND WOULD ONLY BE DONE WITH ASSISTANCE OF INTERNATIONAL CURRENCIES. IT WAS POSSIBLE THAT STANDARD "ARAB DINAR" WOULD HAVE TO BE CREATED FOR USE IN TRANSACTIONS BY MEMBERS OF ARAB MONETARY FUND.

6. IN HIS SPEECH TO COUNCIL, LEAGUE SECRETARY GENERAL MAHMOUD RIADH SPOKE MAINLY OF POLITICAL PROBLEMS AMONG ARAB NATIONS, DECLARING THESE DIFFERENCES SHOULD NOT BE ALLOWED TO OVERFLOW INTO ECONOMIC AND OTHER MATTERS.

7. IN COMMUNIQUE ISSUED AT CLOSE OF MEETING, COUNCIL STATED BELIEF THAT INVESTMENT OF ARAB CAPITAL IN SIDE ARAB WORLD, AND ITS EXPLOITATION FOR BENEFIT OF DEVELOPMENT, PROVIDED BEST PROTECTION FOR FUTURE VALUE OF THIS MONEY. COUNCIL CALLED FOR INCREASED EFFORTS TOWARDS COORDINATED REGIONAL ECONOMIC DEVELOPMENT AND ASSERTED NECESSITY TO COMBINE COMPLEMENTARY ARAB RESOURCES UNDER PLAN FOR JOINT DEVELOPMENT--AVOIDING REDUNDANT OR COMPETITIVE INVESTMENTS. DECLARING POTENTIAL PROFITS CLEARLY OUTWEIGH RISKS, COMMUNIQUE NOTED HANDICAPS STILL FACING ARAB INVESTORS WISHING TO PLACE MONEY IN ARAB COUNTRIES AND SAID RESPONSIBILITY WAS SHARED BY CAPITAL-EXPORTING AND

CAPITAL-IMPORTING COUNTRIES, "PARTICULARLY WHEN LEGIS-
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LATION CONTINES TO TREAT ARAB INVESTOR IN SAME WAY
AS ANY OTHR FOREIGN INVESTOR". IT ASSERTED NEED FOR
PREFERENTIAL TREATMENT OF ARAB INVESTORS IN ORDER TO
PUT INTO ACTION PRINCIPLE OF "ARAB ECONOMIC CITIZEN-
SHIP". COMMUNIQUE INDICATED THAT, WITH VIEW TO SPEED-
ING UP PROCESS OF JOINT ARAB DEVELOPMENT, COUNCIL HAD
GIVEN ARAB LEAGUE GENERAL SECRETARIAT JOB OF OUTLINING
STRUCTURE OF NEW ARAB INVESTMENT CONVENTION WHICH WOULD
ENSURE: (A) CREATION OF MINIMUM CONDITIONS, GUARAN-
TEES AND ACILITIES BY EACH CAPITAL-RECIPIENT COUNTRY;
(B) CREATION OF CLIMATE OF SECURITY AND CONFIDENCE AND
APPLICATION OF PRINCIPLE OF RECIPROCITY BETWEEN COUN-
TRIES INVESTING CAPITAL AND THOSE RECEIVING IT; AND,
(C) REMOVAL OF ALL OBSTACLES BLOCKING CONTRIBUTION OF
ARAB CAPITAL TO DEVELOPMENT. COMMUNIQUE SAID COUN-
CIL HAD EXAMINED IDEA OF GEOGRAPHIC ZONES FOR ARAB IN-
VESTMENT WITH VIEW TO ACHIEVING INTEGRATION OF INVEST-
MENT IN NATIONAL DEVELOPMENT PROJECTS. JOB OF CREATING
INFRASTRUCTURE FOR THESE ZONES HAS BEEN ALLOTTED TO THE
VARIOUS ARAB INVESTMENT COMPANIES, COMMUNIQUE SAID.

8. GOT PROPOSAL FOR SERIES OF MAJOR INDUSTRIAL PRO-
JECTS TO BE CARRIED OUT BY MULTINATIONAL ARAB ENTER-
PRISES WAS ENDORSED BY COUNCIL. FEASIBILITY STUDIES
ON THESE PROJECTS WILL BE DONE BY ARAB COUNTRIES IN-
DUSTRIAL DEVELOPMENT CENTER. ALSO ANNOUNCED WAS CREA-
TION OF ARAB FISHING COMPANY, WITH HEAD OFFICE IN
JIDDA; 12 COUNTRIES HAVE INDICATED INTENTION TO TAKE
PART IN COMPANY'S ACTIVITIES.
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